

HOUSE BILL REPORT

HB 1287

As Passed House:

March 10, 2009

Title: An act relating to sales and use tax exemptions in respect to aircraft used in intrastate commuter operations.

Brief Description: Concerning sales and use tax exemptions in respect to aircraft used in intrastate commuter operations.

Sponsors: Representatives Morris, Bailey, Ericks, Hinkle, Sullivan and Priest.

Brief History:

Committee Activity:

Finance: 2/5/09, 3/2/09 [DP].

Floor Activity

Passed House: 3/10/09, 92-4.

Brief Summary of Bill

- Provides a sales and use tax exemption for the sale of small aircraft.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Joseph Archuleta (786-7192)

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. If retail sales taxes were not collected when the property or services were acquired by the user, then use taxes are applied to the value of most tangible personal property and some services when used in this state. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 2.4 percent,

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depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

Sales of airplanes to the federal government and airplanes used in interstate or foreign commerce are exempt from sales and use taxes. Sales of repair and related services for these aircraft are also exempt from sales and use taxes.

Federal law exempts airlines that do not utilize large aircraft in air transportation from a number of regulatory requirements. These airlines are referred to as commuter air carriers. Under federal law, a large aircraft is defined as an aircraft designed to have a maximum passenger capacity of more than 60 persons or a maximum payload capacity of more than 18,000 pounds.

Summary of Bill:

The sale of a small airplane to a commuter air carrier is exempted from sales and use tax. The sale of repair and related services for these small aircrafts are also exempted from sales and use taxes.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) There is competition from Oregon, which has no sales tax. Washington tax liability is driven by where the plane is kept overnight. This bill will keep instate commuter airline businesses from having to overnight their planes in another state. The current law exempts planes used primarily in interstate commerce, but not intrastate. Our business provides both intrastate and interstate operations. We cannot add more intrastate routes because we would go over the 50 percent rule. Communities in Washington need additional intrastate routes; however, there is a real disincentive in the tax law for us to provide additional intrastate routes. These intrastate flights promote tourism and economic development in smaller, rural communities. Washington is losing intrastate air service, which hurts the Washington economy. The exemption would allow us to provide additional commuter airplane service.

(Opposed) None.

Persons Testifying: Representative Morris, prime sponsor; and Todd Banks, Marcia Ingersoll, Tim Brooks, and Gregg Munro, Kenmore Air.

Persons Signed In To Testify But Not Testifying: None.